GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2342
ANSWERED ON:11.03.2016
Rationalization of Interest Rates of SSS
Singh Shri Bhola

Will the Minister of FINANCE be pleased to state:

(a) whether the Government is taking effective steps on drafting of Pension Fund Regulatory and Development Authority (PFRDA) regulations with a view to promoting the growth of the NPS sector with commercially viable incentives;
(b) if so, the details thereof and if not, the reasons therefor;
(c) whether the Government is planning to allow the banks to issue offshore INR bonds;
(d) if so, the details thereof and if not, the reasons therefor;
(e) whether the Government is planning rationalisation of interest rates of small savings schemes; and
(f) if so, the details thereof and if not, the reasons therefor?

Answer

The Minister of State in the Ministry of Finance

(a) & (b) The Pension Fund Regulatory and Development Authority (Pension Fund) Regulations, 2015, has been formulated and notified on 19th May, 2015.
Regulations have not specifically stipulated any fixed investment management fee. However, Regulation 20 of the Pension Fund Regulatory and Development Authority (Pension Fund) Regulations, 2015, states that the rate and manner of charging the investment management fee shall be determined in accordance with the procedure as may be laid down by the Authority from time to time and shall be subject to such revision as deemed necessary in subscribers interest and for orderly growth of the pension sector.
Thus, the Pension Fund Regulatory and Development Authority (Pension Fund) Regulations, 2015, provide sufficient flexibility to the Pension Fund Regulatory and Development Authority to lay down the process of selection of pension funds, wherein the determination of investment management fee can be laid down taking into account the interest of subscribers, the orderly growth of pension industry including suitable incentives for the intermediaries (Pension Funds)

(c) & (d) In terms of A.P. (DIR Series) Circular No.17 dated September 29, 2015, issued by the Reserve Bank of India, any corporate or body corporate, Real Estate Investment Trusts and Infrastructure Investment Trusts are eligible to issue Rupee denominated bonds overseas. However, banks incorporated in India have not been allowed access to these bonds in any manner whatsoever.

(e) & (f) In the context of easing the transmission of the lower interest rates in the economy, the Government has taken a comprehensive view on the social goals of certain National Small Savings Schemes. Accordingly, the following would be effective from 01.04.2016

i. The 25bps spread that 1 year, 2 year and 3 year term deposits, KVPs and 5 year Recurring Deposits have over comparable tenure Government securities, shall stand removed.
ii. Further, the interest rates of all small saving schemes would be recalibrated on a quarterly basis, to align the small saving interest rates with the current market rates of the relevant Government securities.
iii. The compounding of interest which is bi-annual in the case of 10 year National Savings Certificate (discontinued since 20-12-2015), 5 year National Savings Certificate and Kisan Vikas Patra, shall be done on an annual basis from 01.04.2016.
This is expected to help the economy move to a lower overall interest rate regime eventually and thereby help all, particularly low-income and salaried classes.

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